

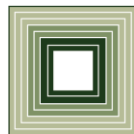
Budget Implications of Hurricane Irene

**Senate Select Committee on Emergency
Preparedness and Response**

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FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

Budget Implications of Hurricane Irene

- Overview
- Fiscal Estimate of Irene
- Governor's Budgetary Authority
- Sources of Funds for Disaster Relief

Budget Implications of Hurricane Irene

Overview

- Emergency Management estimates total State costs of Irene recovery at roughly \$30 million - \$50 million over 3 years, not including Department of Agriculture
 - For FY 2011-12, estimate is roughly \$20 million
- Governor's budget authority during disasters should enable executive branch to meet these budget FY 2011-12 needs
- For additional disaster relief needs (for example, related to Agriculture, or long-term needs), General Assembly could appropriate funds from Savings Reserve or Unreserved Credit Balance

Budget Implications of Hurricane Irene

Fiscal Estimate of Irene Excluding Agriculture

- FEMA-eligible costs for Irene as of October 3, 2011: \$133 million (Source: Emergency Management, CCPS)
 - State Share: \$29 million
- Emergency Management rough estimate of State costs associated with Irene: \$30 million - \$50 million over 3 years
 - Emergency Management predicts roughly \$20 million needed in FY 2011-12

Emergency Management cost estimates rough and subject to change

- Damage assessments preliminary
- Uncertainty about federal funding
- Difficult to know what policy-makers will fund

Not Fiscal Research estimates

Budget Implications of Hurricane Irene

Fiscal Estimate for Department of Agriculture Not Available

- USDA Farm Service Agency damage estimates not available
- Uncertainty about agricultural aid from Congress
- Difficult to predict what State will choose to fund
 - State agricultural relief is discretionary
 - Federal agricultural aid does not typically require State match
- For perspective, State appropriations to Agriculture in past:
 - \$96 million for Floyd (Source: Performance Audit of the Hurricane Floyd Reserve Fund, State Auditor, June 2001)
 - \$33 million for 2004 Hurricanes Frances, Ivan, Alex, Bonnie, Charlie and Jeanne (Fiscal and Budgetary Actions, 2005 Session, Fiscal Research Division)

Budget Implications of Hurricane Irene

Budget Authority

- Governor has broad authority to manage funding in the event of a natural disaster
- G.S. 166A-5 authorizes the Governor to “reallocate such other funds as may reasonably be available within the appropriations of the various departments when the severity and magnitude of such disaster so requires...”

Budget Implications of Hurricane Irene

Funds Budgeted for Disasters

- **Contingency and Emergency Fund:** \$5 million annual budget for court orders and emergencies
- **Disaster Relief Reserve**
 - Current balance: \$4 million
 - Established in 1996
 - Excess funds allocated in Hurricane Recovery Act of 2005 have been used to fund subsequent storm recovery and Federal Medical Assistance Percentages (FMAP) shortfall

Budget Implications of Hurricane Irene

Funds Budgeted for Disasters (Continued)

- **Emergency Response Account (G.S. 166A-6.02)**
 - Established in 2006 for start-up costs of State Emergency Response Teams and first responders for Type I, II, or III disasters
 - Originally funded with \$20 million
 - Fund depleted at end FY 2010-11 when Governor allowed funds to revert to meet requirements of SB 109
- **Highway Fund** – DOT budgets \$50 million for disasters and adverse weather from primary and secondary road maintenance

Budget Implications of Hurricane Irene

Other Sources of Funding

- Governor has authority to access funds throughout budget
 - Largest source of funds in current budget is Repairs and Renovations Account: \$125 million
- Savings Reserve has balance of \$296 million (1.5% of General Fund appropriation). Inaccessible to Governor unless General Assembly appropriates it.
- Unreserved Credit Balance for FY 2012-13 is projected to be \$27 million. Inaccessible to Governor unless General Assembly appropriates it.

Budget Implications of Irene – Summary

- Governor has funding and flexibility to manage Irene recovery in FY 2011-12 (depending on decisions about funding Agriculture)
 - Contingency and Emergency: \$5 million
 - Disaster Relief: \$4 million
 - Repairs and Renovations: \$125 million
 - Highway Fund Maintenance: \$50 million
- General Assembly has additional funding sources, if needed
 - Savings Reserve: \$296 million
 - Unreserved Credit Balance: \$27 million
- Disaster recovery is not the only fiscal need facing the State